



Examining the Problem of Short Job Duration

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Researchers at the Montana Department of Labor and Industry recently discovered that less than a third of workers retained employment with an employer for four quarters after hire.* The low job duration among newly hired workers has negative consequences for the economy and society.

First, there is considerable actual and opportunity costs incurred in the job search process by employers, employees, and society – workers lose valuable time and resources in a job search versus productive employment, employers lose job search costs and productivity from not being adequately staffed, and the public loses output that would have been produced plus any social welfare payments due the worker in the unemployed period. Second, in the long-term, short job duration will cause workers to be adequately trained for many jobs, but not have the high-level of job-specific skills learned through experience. Third, frequent job changing creates a disincentive for employers to provide worker training and shifts the responsibility of workforce training into the public sphere, where forces other than efficient markets determine which workers are trained, for what types of jobs, and what skills are improved.

The Research and Analysis Bureau has been conducting ongoing research into the causes of and solutions to short job retention in Montana. Administrative data from the Unemployment Insurance program is useful in identifying job retention rates, but administrative data does not provide sufficient information to explain the causes of short job retention. To fill in the missing pieces, Montana employers were surveyed about the characteristics and skills of new workers hired in the second and third quarters of 2010. In particular, we sought to learn what skills were associated with long-term employment, and what skill deficiencies led to job



separation, in order to inform the curricula of worker training programs. For the purposes of this research, a new hire was defined as a worker who was first employed by a Montana employer and had not been employed by that same employer in the past.

Duration of Job Retention:

Based on administrative data from the Wyoming Department of Employment, Montana's and Wyoming's job retention rates are similar. Data indicate that roughly 65% of newly hired workers are still working for the same employer in the quarter following hire. Two quarters after hire, roughly 41% of workers are still employed by the business, and about 24% of workers work for the employer for a year after hire.

Job retention percentages differ with seasonality and economic conditions, as shown in Table 1 and 2 (*next page*). Montana new hires starting employment in the first quarter of the year have a 26% chance of working for that employer a full year later. The likelihood decreases if the new hire starts employment in the fourth quarter due to the high percentage of seasonal hires in this quarter. Job retention rates increased as the unemployment situation worsened, with the highest retention rates in 2009. Workers were more likely to stay at their job when the economy worsened and fewer job opportunities were available.

*Please see the November 2010 EAG for more details.



While administrative data from the Unemployment Insurance program suggests various reasons for short job retention in Montana, such as seasonal employment and voluntary job departure, administrative data does not provide sufficient information to estimate the degree that these factors reduce job retention rates. Further, more information is needed to know what skills lead to job retention. If these skills are known, worker training programs could be retooled to focus on skills that are needed for long-term employment.

New Hires Survey

A new hires survey was developed to gather further information about the skills of newly hired workers in order to determine the importance of certain skills in job retention. The survey asked employers that recently hired a worker about the compensation paid to the worker, the skills required for the job, and whether the worker was still employed. If the worker no longer worked for the company, employers were asked whether the job termination was due to economic reasons, because the worker voluntarily left, because of poor performance, or other reasons.

Researchers surveyed the employers of over 3,950 workers that were newly hired in the second quarter of 2010 and 750 workers hired in the third quarter of 2010. A follow-up mailing and phone calls were made to contact employers not responding to the initial mail survey. The survey was met with considerable interest by employers, and approximately 72% of surveys from the second quarter were returned. The smaller group of 750 surveys from the third quarter had a lower response rate without phone calls. The job retention performance of the surveyed new hires was consistent with historical job retention, although job retention in the second panel was higher than expected, likely due to the smaller sample size. The results presented in this summary combine data from both the second and third quarters.

Table 1: Retention Rate of New Hires by Quarter, 2006 to 2009

	After One Quarter		After Four Quarters	
	Montana	Wyoming	Montana	Wyoming
1	0.68	0.67	0.26	0.28
2	0.67	0.68	0.22	0.26
3	0.61	0.61	0.20	0.27
4	0.63	0.62	0.19	0.21

Table 2: Retention Rate of New Hires by Year, 2006 to 2009

	After One Quarter		After Four Quarters	
	Montana	Wyoming	Montana	Wyoming
2006	0.66	0.63	0.24	0.26
2007	0.64	0.64	0.22	0.26
2008	0.63	0.64	0.24	0.27
2009	0.67	0.67		

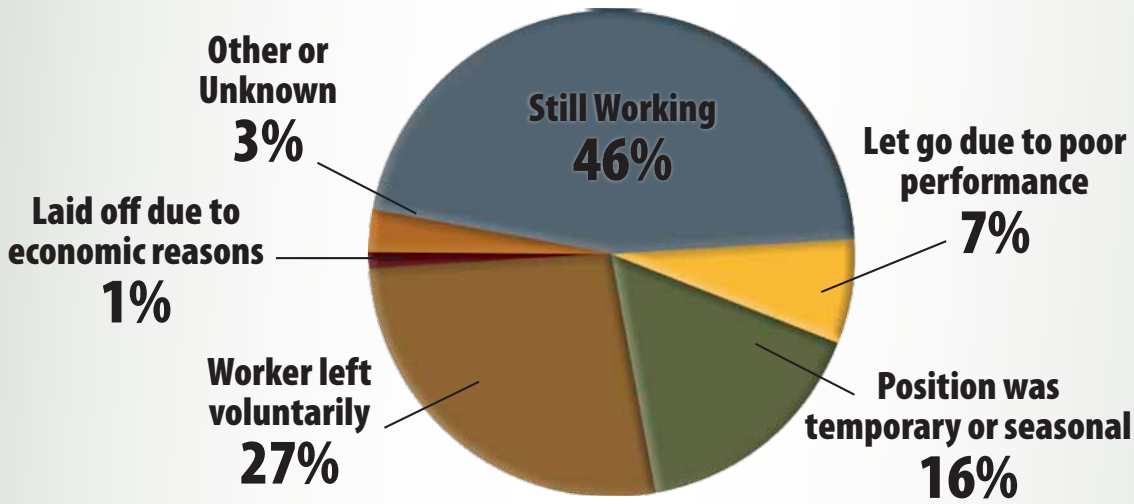
Results of the New Hires Survey

Overall, 46% of the newly hired workers were still employed when employers were surveyed two quarters after hire, as shown in Figure 3. The 46% of retained employment was roughly consistent with previous analysis of administrative data. For workers who were no longer employed, the greatest share left work voluntarily. Workers may voluntarily leave a position for a variety of reasons, such as returning to school, caring for a family member, moving, or finding a different job with better pay or benefits. However, of those leaving voluntarily, only 40% were earning higher wages after the leave, suggesting that voluntarily leaves do not usually leave the worker better off financially. Of those who left voluntarily, about 20% of them were rated by their employer as having an inadequate level of one or more skills, indicating that there may be some workers who voluntarily left their employer because the job was not well suited for their skills and they were in danger of being fired.

Approximately 16% of workers who were newly hired had a seasonal or temporary position end and were no longer working for the same company. However, about



Figure 3: New Hires job outcomes after two quarters



27% of all of the surveyed jobs were seasonal or temporary. The 11% difference includes workers who were hired into a seasonal or temporary position and yet still fall into one of the other categories of still working, left voluntarily, or other reasons. About 22% of workers hired into temporary positions retained their employment two quarters after hire, suggesting that the worker was either moved into a permanent position or that the temporary period was not yet complete. About 18% of temporary workers left the position voluntarily before the seasonal or temporary employment position was complete.

Perhaps of greater interest are the majority of workers that were hired to fill permanent full-time or part-time positions. Only about 55% of workers hired to fill permanent positions were still working for the same employer two quarters after being hired. The rate of job retention improves significantly when excluding part-time workers. About 66% of workers who were hired for permanent, full-time positions were still working for the same employer two quarters after hire. In comparison, workers who are hired for a part-time permanent position are more likely to leave the position voluntarily than continue working. Further analysis of the

Figure 4: Job outcomes of newly hired workers two quarters after hire by type of worker

	All Workers	Temporary or Seasonal Workers	Permanent Workers	Permanent Full-Time Workers	Permanent Part-Time Workers
Still working	46%	21%	55%	66%	43%
Let go due to poor performance	7%	*	8%	9%	7%
Position was temporary or seasonal	16%	53%	na	na	na
Worker left voluntarily	27%	18%	30%	18%	44%
Worker was laid off due to economic reasons	1%	*	2%	2%	1%
Other or Unknown	3%	1%	5%	5%	5%

* Not statistically significant

Source: New Hires Job Survey, conducted and analyzed by the Research and Analysis Bureau, Montana Department of Labor and Industry

**Table 5: Percent of Workers with Inadequate Skills**

Skill	Description	Retained Workers	Poor Performance
Service Orientation/ Customer Service	Involves actively looking for ways to help people and providing an appropriate level of customer service	*	35.6%
Critical Thinking	Using logic and reasoning to identify the strengths and weaknesses of alternative solutions or approaches to problems	6.3%	50.2%
Operating Equipment	Controlling operations of equipment or systems	0.9%	14.9%
Communication	The ability to communicate effectively with others	5.1%	34.5%
Following Instructions	The ability to follow oral or written instructions	5.1%	61.1%
Time Management	Ability to manage time and stay on task	5.9%	43.5%
Safety	The ability to maintain a safe work environment	*	11.4%
Job-Specific Technical Skills	Skills specific to an occupation, such as drafting, special software, installation, maintenance, etc.	*	24.9%
Work Ethics	Shows up on time, honest, positive attitude, appropriate personal appearance	4.9%	46.5%
Physical Skills	The use of physical strength and/ or stamina, skill in using one's hands	*	9.8%

Source: New Hires Job Survey, Research and Analysis Bureau, Montana Department of Labor and Industry

* Estimates suppressed if not significant at the 95% level. Reading Comprehension and Number Skills were also included on the survey, but are not included here due to insignificant estimates.

survey results will likely indicate whether the high rate of voluntarily leaving of part-time jobs is due to lower wages and compensation, or due to a strong preference for full-time work. Part-time workers were slightly less likely to be let go due to poor performance.

Ultimately, the new hires job skills survey was aimed at identifying which skills were lacking in the Montana workforce. Worker training programs can improve training in those skill areas to better prepare workers for today's jobs. Only seven percent of new hires were let go due to poor performance. A far greater reason for short job duration was the voluntary departure of the worker for unknown reasons.

For those let go due to poor performance, the most common skill deficiency reported was Following Instructions, followed by Critical Thinking, Work Ethics, and Time Management. Over 61% of workers who were let go due to poor performance had difficulty following instructions. Table 5 describes the meaning of each skill and the percentage of new hires that were reported as having an inadequate level of the skill. The first column

illustrates the reported skill deficiencies of workers that were still employed two quarters after hire, compared to those let go due to poor performance in the second column. Workers who were let go due to poor performance were often rated inadequate in multiple skills. Retained workers also had some skill deficiencies, but deficiencies were reported much less frequently.

Analysis of the new hires survey is still underway, and the Research and Analysis Bureau plans to mail at least one more set of surveys to learn more about workers newly hired in the fourth quarter of 2010. Based on the data already collected, workers and worker training programs should attempt to build skills in following instructions and critical thinking; these skills are often reported as being inadequate among workers let go due to poor performance. For employers, further analysis of data from the new hires survey will suggest solutions to retaining talented workers, rather than having workers leave employment after a short period. Hopefully, the results of this research will improve job matching, reduce the waste involved in frequent job changes, and result in a better-trained and more efficient workforce.